BDC
Entrepreneurs first

2015

SECOND QUARTER

FINANCIAL REPORT

September 30, 2014

Canada

EXECUTIVE SUMMARY

The Canadian economy improved during the second quarter of this calendar year and is expected to grow by over 2% in 2014. Canadian exports increased by 10.9% in the first six months of calendar 2014 compared to the same period in 2013, benefitting from stronger economic growth in the United States. As well, Canadian business confidence is improving, leading to greater investments, especially among Canadian exporters. BDC's most recent survey on business investment intentions shows a clear improvement compared to last year, which is consistent with Bank of Canada results. Consumer spending continues to increase, but at a modest pace. As anticipated, the housing market has softened and is not contributing to economic growth. Government spending contracted in the first part of the calendar year, as most governments are making efforts to balance their budgets. In summary, the Canadian economy is growing moderately, supported by exports, business investments and consumer spending.

The latest Bank of Canada survey reports further easing in overall business lending conditions during the second quarter of BDC's fiscal 2015. Business credit data are consistent with these results. As of August 2014, total business credit had increased by 7.2% over the previous 12 months, as short-term credit from chartered banks had increased by 9.4% and long-term credit by 4.6%.

Canadian small and medium-sized enterprises (SMEs) are taking advantage of improved economic conditions to invest in their businesses to improve competitiveness. BDC is a complementary, long-term lender and investor that takes higher risks and offers greater flexibility to clients. We work to ensure that small and medium-sized businesses have the support they need to grow and succeed. Clients of Financing[1] accepted $1.2 billion in loans this quarter, compared to $1.0 billion last year. For the six months ended September 30, they accepted a total of $2.4 billion in loans, compared to $2.2 billion last year.

As at September 30, 2014, Financing's[1] loan portfolio, before allowance for credit losses, stood at $18.2 billion, a 2.8% increase since March 31, 2014.

BDC continued to focus on small loans, while also supporting the growth of medium-sized firms and participating in financial transactions with other financial institutions. During the quarter, 1,633 clients accepted loans of $250,000 or less for a total of $137.1 million this quarter, compared to 1,721 clients and $132.8 million during the same period last year. For the six months ended September 30, 2014, 3,318 clients accepted loans of $250,000 or less for a total of $271.8 million, compared to 3,467 clients for the same amount last year.

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[1] Unless otherwise indicated, Financing excludes Growth & Transition Capital.

The Business Development Bank of Canada (BDC) is a Crown corporation wholly owned by the Government of Canada.

Our mission is to help create and develop Canadian businesses through financing, venture capital and consulting services, with a focus on small and medium-sized enterprises.

When entrepreneurs succeed, they make an irreplaceable contribution to Canada's economy. Supporting them is in our national interest.

Growth & Transition Capital continued to support the growth plans of Canadian entrepreneurs through its diverse product offerings, with clients accepting $58.1 million in financing in the second quarter, for a total of $92.7 million for the six-month period, compared to $68.7 million and $104.1 million, respectively, for the same periods last year.

To support innovative Canadian companies and create the conditions for success in the venture capital ecosystem, Venture Capital authorized investments totalling $30.1 million in the second quarter, compared to $14.0 million in the same period last year. For the six-month period ended September 30, a total of $70.3 million was authorized, compared to $32.6 million in the same period last year. Greater fund activity and a large financing round for one of our direct investments accounted for most of the increase in authorizations.

BDC Capital's Strategic Investments and Partnerships (SIP) team continued to develop initiatives to support key areas of the venture capital ecosystem. It makes investments in specialized funds and accelerators. During the quarter, the team announced an agreement with the Canada Media Fund (CMF) to provide companies that have received CMF funding with greater access to capital in order to accelerate the commercialization of their projects and attract additional private sector investments. BDC will support eligible companies with a convertible note worth $150,000 to complement investments already committed by the CMF. As of September 30, 2014, the SIP team has invested in 92 start-ups, representing $14.0 million.

During the quarter, BDC continued to support the deployment of the Venture Capital Action Plan (VCAP), a federal government initiative to invest $400 million to increase private sector venture capital financing for high-potential, innovative Canadian businesses.

Among the highlights in BDC's other lines of business, in late fiscal 2014, Consulting began operating under a new structure designed to better help small and medium-sized businesses improve their competitiveness by accelerating growth, improving productivity and building organizational capabilities. A 24-month business transformation plan was created, and the first set of changes was launched during the first quarter of fiscal 2015. Therefore, as anticipated, consulting revenues were $4.5 million for the quarter, lower than the $5.7 million recorded for the same period last year. BDC continued to identify and focus its efforts on services that have the most positive impact on clients and are complementary to those offered by private sector financial institutions. As a result, we discontinued some services. For the six-month period ended September 30, revenues were $8.6 million, compared to $10.5 million for the same period last year.

BDC is maintaining its role in the securitization market, where SMEs access financing for the vehicles and equipment they need to improve productivity. As at September 30, total asset-backed securities (ABS) stood at $380.8 million, compared to $336.5 million as at March 31. For the six-month period ended September 30, 2014, disbursements totalled $107.7 million, compared to $91.0 million for the same period last year.

In the second quarter of fiscal 2015, BDC posted consolidated net income of $137.1 million[2], compared to $86.4 million[2] for the same period last year. The increase was mostly attributable to higher net fair value appreciation of venture capital and subordinate financing investments, as well as higher net interest and fee income as a result of the growth in Financing's portfolio. Net income for the first half of fiscal 2015 was $258.8 million[3], $58.6 million higher than the $200.2[3] million recorded last year.

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(2) Including a net loss of $1.3 million and a net income of $2.2 million attributable to non-controlling interests for fiscal 2015 and 2014, respectively.

(3) Including a net loss of $1.0 million and a net income of $3.9 million attributable to non-controlling interests for fiscal 2015 and 2014, respectively.

For the quarter, consolidated total comprehensive income was $102.8 million, compared to $138.8 million for the same period last year. The decrease was mostly due to actuarial losses on the net defined benefit asset or liability. For the most part, these losses were caused by lower discount rates used to value the net defined benefit asset or liability, and by lower returns on pension plan assets. For the six-month period, total comprehensive income was $197.7 million, compared to $284.8 million for the same period last year.

In September, BDC launched a microsite for BDC Small Business Week 2014 in preparation for the 35th edition of our trademark event. Across Canada, hundreds of national and local events will be hosted by BDC and other organizations during Small Business Week, which will run from October 19 to 25 under the theme "Back to Basics. Reenergize Your Business." They include a broad range of speaking engagements, panels and workshops that focus on a variety of business topics of interest to Canadian entrepreneurs.

TABLE OF CONTENTS

6 Management Discussion and Analysis

- 6 Context of the Quarterly Financial Report
- 6 Risk Management
- 7 Analysis of Financial Results

16 Consolidated Financial Statements

From time to time, we make written or oral forward-looking statements. We may make forward-looking statements in this quarterly financial report. These forward-looking statements include, but are not limited to, statements about objectives and strategies for achieving objectives, as well as statements about outlooks, plans, expectations, anticipations, estimates and intentions.

By their very nature, forward-looking statements involve numerous factors and assumptions, and they are subject to inherent risks and uncertainties, both general and specific. These uncertainties give rise to the possibility that predictions, forecasts, projections and other elements of forward-looking statements will not be achieved. A number of important factors could cause actual results to differ materially from the expectations expressed.

CONTEXT OF THE QUARTERLY FINANCIAL REPORT

The *Financial Administration Act* requires that all departments and parent Crown corporations prepare and make public a quarterly financial report. The Standard on Quarterly Financial Reports for Crown Corporations is issued by the Treasury Board of Canada Secretariat to provide parent Crown corporations with the form and content of the quarterly financial report under the authority of section 131.1 of the *Financial Administration Act*. There is no requirement for an audit or review of the financial statements included in the quarterly financial report. Therefore, the condensed quarterly Consolidated Financial Statements included in this report have not been audited or reviewed by an external auditor.

RISK MANAGEMENT

Risk is an inherent feature of the financial sector. BDC uses sound practices of enterprise risk management (ERM).

BDC manages risk through the development and communication of policies; the establishment of formal risk reviews and approval processes; and the establishment of limits and delegation of authorities. The Board of Directors and its Credit and Risk Committee review quarterly ERM reports and monitor the effectiveness of BDC's ERM practices. In each line of business, management ensures that governance activities, controls, processes and procedures are consistent with BDC's sound ERM practices.

No significant changes were made to BDC's ERM practices and no new risks were identified during the quarter ended September 30, 2014.

ANALYSIS OF FINANCIAL RESULTS

Analysis of financial results is provided to enable a reader to assess BDC's results of operations and financial condition for the six-month period ended September 30, 2014, compared to the corresponding period of the prior fiscal year. This analysis also includes comments about significant variances from BDC's fiscal 2015–19 Corporate Plan, when applicable.

BDC reports on six business segments: Financing, Growth & Transition Capital, Venture Capital, Consulting, Securitization and Venture Capital Action Plan (VCAP). All amounts are in Canadian dollars, unless otherwise specified, and are based on unaudited condensed quarterly Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS).

This analysis should be read in conjunction with the unaudited condensed quarterly Consolidated Financial Statements included in this report and the audited annual Consolidated Financial Statements in the fiscal 2014 Annual Report.

Net income

	Three months ended September 30		Six months ended September 30	
($ in millions)	**F2015**	F2014	**F2015**	F2014
Financing	**120.8**	99.3	**239.6**	206.2
Growth & Transition Capital	**13.0**	(5.3)	**16.3**	6.1
Venture Capital	**10.3**	(5.2)	**15.3**	(7.5)
Consulting	**(5.8)**	(3.8)	**(11.2)**	(7.8)
Securitization	**1.0**	1.8	**2.0**	3.8
Venture Capital Action Plan	**(2.2)**	(0.4)	**(3.2)**	(0.6)
Net income	**137.1**	86.4	**258.8**	200.2
Net income attributable to:				
BDC's shareholder	**138.4**	84.2	**259.8**	196.3
Non-controlling interests	**(1.3)**	2.2	**(1.0)**	3.9
Net income	**137.1**	86.4	**258.8**	200.2

Three months ended September 30

BDC reported consolidated net income of $137.1 million for the second quarter ended September 30, 2014, comprising $138.4 million attributable to BDC's shareholder and a net loss of $1.3 million to non-controlling interests. This compares to $86.4 million in consolidated net income for the second quarter of fiscal 2014, of which $2.2 million was attributable to non-controlling interests.

Net income in the second quarter of fiscal 2015 was higher than in the corresponding period of fiscal 2014 due primarily to higher net income from Financing, Growth & Transition Capital and Venture Capital. Refer to the Financing, Growth & Transition Capital and Venture Capital sections of this analysis for further information.

Six months ended September 30

BDC consolidated net income was $258.8 million for the six months ended September 30, 2014, which was higher than the $200.2 million recorded for the same period last year.

Currently, BDC expects its consolidated net income for fiscal 2015 to at least meet the Corporate Plan target of $317 million.

Comprehensive income

	Three months ended September 30		Six months ended September 30	
($ in millions)	**F2015**	F2014	**F2015**	F2014
Net income	**137.1**	86.4	**258.8**	200.2
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net income				
Net change in unrealized gains (losses) on available-for-sale assets	**(0.4)**	-	**(0.9)**	(0.9)
Net change in unrealized gains (losses) on cash flow hedges	**(0.5)**	(0.3)	**(1.0)**	(2.5)
Total items that may be reclassified subsequently to net income	**(0.9)**	(0.3)	**(1.9)**	(3.4)
Items that will not be reclassified to net income				
Remeasurements of net defined benefit asset or liability	**(33.4)**	52.7	**(59.2)**	88.0
Other comprehensive income (loss)	**(34.3)**	52.4	**(61.1)**	84.6
Total comprehensive income	**102.8**	138.8	**197.7**	284.8
Total comprehensive income attributable to:				
BDC's shareholder	**104.1**	136.6	**198.7**	280.9
Non-controlling interests	**(1.3)**	2.2	**(1.0)**	3.9
Total comprehensive income	**102.8**	138.8	**197.7**	284.8

Three and six months ended September 30

Consolidated total comprehensive income for the second quarter was $102.8 million, comprising $137.1 million in consolidated net income and $34.3 million in other comprehensive loss. For the six-month period ended September 30, 2014, BDC reported total comprehensive income of $197.7 million, comprising $258.8 million in net income and $61.1 million in other comprehensive loss.

BDC recorded other comprehensive loss of $34.3 million and $61.1 million, respectively, for the second quarter and the six-month period ended September 30, 2014, compared to other comprehensive income of $52.4 million and $84.6 million for the same periods last year.

Remeasurements of net defined benefit asset or liability of $33.4 million contributed to the decrease in total comprehensive income in the second quarter. For the most part, these losses were caused by lower discount rates used to value the net defined benefit asset or liability, and by lower returns on pension plan assets. Since the adoption of IAS 19, *Employee benefits*, in fiscal 2014, the actuarial gains and losses, as well as the returns on pension plan assets are immediately recognized in OCI. This results in increased volatility on total comprehensive income.

Financing results

	Three months ended September 30		Six months ended September 30	
($ in millions)	**F2015**	F2014	**F2015**	F2014
Net interest and fee income	**223.3**	207.2	**442.7**	413.1
Impairment reversals (losses) on loans	**(19.3)**	(27.3)	**(36.7)**	(48.0)
Net gains (losses) on other financial instruments	**(0.3)**	-	**(1.1)**	0.2
Income before operating and administrative expenses	**203.7**	179.9	**404.9**	365.3
Operating and administrative expenses	**82.9**	80.6	**165.3**	159.1
Net income from Financing	**120.8**	99.3	**239.6**	206.2

	Three months ended September 30		Six months ended September 30	
As % of average portfolio	**F2015**	F2014	**F2015**	F2014
Net interest and fee income	**4.9**	4.8	**4.9**	4.9
Impairment reversals (losses) on loans	**(0.4)**	(0.6)	**(0.4)**	(0.6)
Net gains (losses) on other financial instruments	**-**	-	**-**	-
Income before operating and administrative expenses	**4.5**	4.2	**4.5**	4.3
Operating and administrative expenses	**1.8**	1.9	**1.8**	1.9
Net income from Financing	**2.7**	2.3	**2.7**	2.4

Three and six months ended September 30

Financing's net income was $120.8 million for the second quarter of fiscal 2015 and $239.6 million for the six-month period ended September 30, 2014, compared to $99.3 million and $206.2 million, respectively, for the same periods last year.

The increase in profitability was mostly due to higher net interest and fee income, mainly driven by portfolio growth. Also contributing to the increase in profitability was a decrease in individual impairment losses due to higher recoveries and more loans upgrades, which resulted in lower total impairment losses on loans compared to last year.

Operating and administrative expenses for both the three-month and six-month periods ended September 30, 2014, were higher than those in the corresponding periods last year. This was mainly due to higher depreciation of project costs related to BDC's investment in its Agility and Efficiency (A&E) project, which also contributed to increase productivity. However, as a percentage of the average portfolio, operating and administrative expenses were slightly lower than those in the same periods last year.

Growth & Transition Capital results

	Three months ended September 30		Six months ended September 30	
($ in millions)	**F2015**	F2014	**F2015**	F2014
Net revenue on investments	**6.3**	25.6	**20.1**	43.7
Net change in unrealized appreciation (depreciation) of investments	**13.0**	(25.0)	**9.1**	(26.0)
Income before operating and administrative expenses	**19.3**	0.6	**29.2**	17.7
Operating and administrative expenses	**6.3**	5.9	**12.9**	11.6
Net income (loss) from Growth & Transition Capital	**13.0**	(5.3)	**16.3**	6.1
Net income (loss) attributable to:				
BDC's shareholder	**12.8**	(7.5)	**15.6**	2.0
Non-controlling interests	**0.2**	2.2	**0.7**	4.1
Net income (loss) from Growth & Transition Capital	**13.0**	(5.3)	**16.3**	6.1

Three months ended September 30

Growth & Transition Capital's net income for the second quarter of fiscal 2015 was $13.0 million, compared to a net loss of $5.3 million for the same period last year.

Net revenue on investments of $6.3 million for the second quarter was lower than the $25.6 million recorded last year, mainly due to higher write-offs ($13.7 million) and lower realized gains on investments ($4.3 million).

The net change in unrealized appreciation of investments of $13.0 million for the quarter included the following:

- a $1.2 million net fair value appreciation ($19.6 million net fair value depreciation for the same period last year); and
- a reversal of net fair value depreciation due to net realized losses totalling $11.8 million (reversal of net fair value appreciation due to net realized gains of $5.4 million for the same period last year).

The increase in operating and administrative expenses from last year was mainly due to higher staff levels required to fully support the growth of Canadian companies.

Six months ended September 30

For the six months ended September 30, 2014, Growth & Transition Capital recorded net income of $16.3 million, higher than the $6.1 million recorded for the same period last year.

Net revenue on investments was $23.6 million lower than the $43.7 million recorded in the same period last year, due to higher realized losses on investments ($25.5 million), offset by higher net interest income as a result of portfolio growth ($0.4 million), and by higher fee and other income ($1.5 million).

The net change in unrealized appreciation of investments of $9.1 million for the six months ended September 30, 2014, included the following:

- a $4.0 million net fair value depreciation ($19.5 million net fair value depreciation for the same period last year); and
- a reversal of net fair value depreciation due to net realized losses totalling $13.1 million (reversal of net fair value appreciation due to net realized gains of $6.5 million for the same period last year).

The increase in operating and administrative expenses from last year was mainly due to higher planned staff levels required to fully support the growth of entrepreneurs.

Venture Capital results

	Three months ended September 30		Six months ended September 30	
($ in millions)	F2015	F2014	F2015	F2014
Net revenue (loss) on investments	(5.8)	(10.8)	(5.2)	2.9
Net change in unrealized appreciation (depreciation) of investments	19.0	11.3	29.8	(1.4)
Net unrealized foreign exchange gains (losses) on investments	9.0	(2.9)	2.6	2.9
Net gains (losses) on other financial instruments	(6.7)	2.2	(1.7)	(1.7)
Income (loss) before operating and administrative expenses	15.5	(0.2)	25.7	2.7
Operating and administrative expenses	5.2	5.0	10.4	10.2
Net income (loss) from Venture Capital	10.3	(5.2)	15.3	(7.5)
Net income (loss) attributable to:				
BDC's shareholder	11.8	(5.2)	17.0	(7.3)
Non-controlling interests	(1.5)	-	(1.7)	(0.2)
Net income (loss) from Venture Capital	10.3	(5.2)	15.3	(7.5)

Three months ended September 30

During the second quarter of fiscal 2015, Venture Capital recorded a net income of $10.3 million, compared to a net loss of $5.2 million for the same period last year.

Net loss on investments decreased by $5.0 million, primarily due to lower write-offs.

The net change in unrealized appreciation of investments of $19.0 million was $7.7 million higher than the $11.3 million net change in unrealized appreciation recorded last year and included the following:

- a $14.3 million net fair value appreciation of the portfolio ($6.6 million fair value appreciation for the same period last year); and
- a reversal of net fair value depreciation on divested investments and write-offs totalling $4.7 million (a reversal of $4.7 million of net fair value depreciation for the same period last year).

Six months ended September 30

For the six months ended September 30, 2014, Venture Capital recorded a $15.3 million net income, compared to a net loss of $7.5 million for the same period last year.

Net loss on investments was $5.2 million for the six months ended September 30, 2014, compared to net revenue on investments of $2.9 million for the same period last year. Net revenue on investments for the six months ended September 30, 2013, was improved primarily by the divestiture of an investee company.

The net change in unrealized appreciation of investments of $29.8 million for the six-month period ended September 30, 2014, included the following:

- a $24.3 million net fair value appreciation of the portfolio ($5.3 million fair value appreciation for the same period last year); and
- a reversal of net fair value depreciation on divested investments and write-offs totalling $5.5 million (a reversal of $6.7 million of net fair value appreciation for the same period last year).

Net unrealized foreign exchange gains or losses on investments were due to foreign exchange fluctuations on the U.S. dollar. BDC monitors currency fluctuations and uses foreign exchange contracts to partially hedge U.S. dollar investments. As a result, net gains or losses on other financial instruments partially offset amounts recognized due to currency fluctuations.

Consulting results

	Three months ended September 30		Six months ended September 30	
($ in millions)	**F2015**	F2014	**F2015**	F2014
Revenue	**4.5**	5.7	**8.6**	10.5
Operating and administrative expenses	**10.3**	9.5	**19.8**	18.3
Net loss from Consulting	**(5.8)**	(3.8)	**(11.2)**	(7.8)

Three and six months ended September 30

We continue to focus our efforts on the transformation of our consulting services. Therefore, as anticipated, Consulting's net loss was $5.8 million for the second quarter of fiscal 2015, higher than the $3.8 million net loss recorded for the same quarter last year. The cumulative net loss for the six-month period ended September 30, 2014, was $11.2 million, compared to $7.8 million for the same period last year.

Revenues were $4.5 million and $8.6 million, respectively, for the second quarter and the first six months of fiscal 2015, lower than the $5.7 million and $10.5 million recorded for the same period last year, as BDC continued to identify and focus its efforts on offering services that will have the most positive impact on clients and, as a result, discontinued some services.

On a year-to-date basis, operating and administrative expenses of $19.8 million were $1.5 million higher than those recorded in the same period of fiscal 2014. The increase is mainly explained by the higher level of staff needed to support the new business strategy and associated transformation program, with the goal of increasing the competitiveness of small and medium-sized businesses.

Securitization results

	Three months ended September 30		Six months ended September 30	
($ in millions)	**F2015**	F2014	**F2015**	F2014
Net interest and fee income	**1.5**	2.1	**2.9**	4.5
Income before operating and administrative expenses	**1.5**	2.1	**2.9**	4.5
Operating and administrative expenses	**0.5**	0.3	**0.9**	0.7
Net income from Securitization	**1.0**	1.8	**2.0**	3.8

Three and six months ended September 30

Net income from Securitization for the second quarter of fiscal 2015 was $1.0 million, for a total of $2.0 million for the six-month period ended September 30, 2014. These figures compare to net income from Securitization of $1.8 million and $3.8 million, respectively, for the same periods last year.

The decrease in income was due to lower net interest and fee income as a result of a net reduction in the asset-backed securities (ABS) portfolio and a decrease in the yield. The decrease in the ABS portfolio was explained in part by the full repayment in October 2013 of all ABS issued under the Canadian Secured Credit Facility.

Operating and administrative expenses for the three-month and six-month periods ended September 30, 2014, were slightly higher than those reported for the same periods last year.

Venture Capital Action Plan results

	Three months ended September 30		Six months ended September 30	
($ in millions)	**F2015**	F2014	**F2015**	F2014
Net revenue (loss) on investments	**0.1**	-	**0.2**	-
Net change in unrealized appreciation (depreciation) of investments	**(2.1)**	-	**(3.0)**	-
Income (loss) before operating and administrative expenses	**(2.0)**	-	**(2.8)**	-
Operating and administrative expenses	**0.2**	0.4	**0.4**	0.6
Net loss from Venture Capital Action Plan	**(2.2)**	(0.4)	**(3.2)**	(0.6)

Three and six months ended September 30

During the second quarter of fiscal 2015, Venture Capital Action Plan (VCAP) recorded a net loss of $2.2 million, mostly as a result of a net change in unrealized depreciation of investments of $2.1 million. For the six months ended September 30, 2014, VCAP recorded a net loss of $3.2 million compared to a net loss of $0.6 million for the same period last year. These losses were anticipated early in the program.

On a year-to-date basis, operating and administrative expenses were $0.4 million, lower than those reported for the same period last year.

Consolidated Statement of Financial Position and Cash Flows

As at September 30, 2014, total BDC assets amounted to $20.2 billion, an increase of $0.6 billion from March 31, 2014, mainly due to the increase in loans.

At $17.7 billion, the loan portfolio represented BDC's largest asset ($18.2 billion in gross portfolio and a $0.5 billion allowance for credit losses). The gross loan portfolio grew by 2.8% in the first six months after March 31, 2014.

As for BDC's investment portfolios, the subordinate financing portfolio stood at $595.3 million, compared to $576.7 million as at March 31, 2014. Net investment disbursements accounted for most of the increase of this portfolio; however, this was partially offset by write-offs. The venture capital portfolio was $595.2 million at September 30, 2014, compared to $495.1 million as at March 31, 2014. The increase in this portfolio was mainly due to investment disbursements and to higher net change in unrealized appreciation. The venture capital action plan portfolio stood at $10.5 million, compared to $5.2 million as at March 31, 2014. Investment disbursements accounted for most of the increase.

The asset-backed securities (ABS) portfolio stood at $380.8 million, compared to $336.5 million at March 31, 2014. The increase in the portfolio was due to net disbursements of securities purchased under the Funding Platform for Independent Lenders (F-PIL) program.

Derivative assets of $45.0 million and derivative liabilities of $14.6 million reflected the fair value of derivative financial instruments as at September 30, 2014. Net derivative fair value decreased by $13.4 million, compared to the fair value at March 31, 2014, primarily as the result of maturities and redemptions, and a decrease in the fair value of foreign exchange contracts.

As at September 30, 2014, BDC recorded a net defined benefit asset of $51.5 million related to the registered pension plan, and a net defined benefit liability of $202.1 million for the other plans, for a total net defined benefit liability of $150.6 million. This represents an increase of $45.9 million compared to the total net defined benefit liability as at March 31, 2014, primarily as the result of remeasurement losses on the net defined benefit liability recorded during the six-month period ended September 30, 2014. Refer to page 8 of this report for further information on remeasurements of net defined benefit asset or liability.

BDC holds cash and cash equivalents in accordance with its Treasury Risk Policy. The Bank's liquidities, which ensure funds are available to meet BDC's cash outflows, totalled $678.4 million at September 30, 2014, compared to $676.5 million at March 31, 2014. For the six-month period ended September 30, 2014, cash flow used by investing activities amounted to $158.0 million as a result of net disbursements of subordinate financing and venture capital investments, and ABS. Financing activities provided $443.0 million in cash flow, mainly as a result of the issuance of short-term notes, partially offset by the repayment of long-term notes, while operating activities used $283.1 million, mainly due to the increase in the loans portfolio.

At September 30, 2014, BDC funded its portfolios and liquidities with borrowings of $15.3 billion and total equity of $4.5 billion. Borrowings comprised $14.7 billion in short-term notes and $0.6 billion in long-term notes.

CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of Canadian dollars)

17 Management's Responsibility for Financial Information
18 Consolidated Statement of Financial Position
19 Consolidated Statement of Income
20 Consolidated Statement of Comprehensive Income
21 Consolidated Statement of Changes in Equity
23 Consolidated Statement of Cash Flows
24 Notes to the Consolidated Financial Statements

24 **Note 1** BDC General Description
24 **Note 2** Basis of Preparation
25 **Note 3** Significant Accounting Policies
25 **Note 4** Significant Accounting Judgements, Estimates and Assumptions
26 **Note 5** Classification of Financial Instruments
27 **Note 6** Fair Value of Financial Instruments
29 **Note 7** Asset-Backed Securities
30 **Note 8** Loans
31 **Note 9** Subordinate Financing Investments
32 **Note 10** Venture Capital Investments
33 **Note 11** Venture Capital Action Plan Investments
33 **Note 12** Share Capital
34 **Note 13** Segmented Information
37 **Note 14** Guarantees
37 **Note 15** Commitments
39 **Note 16** Related Party Transactions

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

Management is responsible for the preparation and fair presentation of these condensed quarterly Consolidated Financial Statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as management determines are necessary to enable the preparation of condensed quarterly Consolidated Financial Statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly Consolidated Financial Statements.

Based on our knowledge, these unaudited condensed quarterly Consolidated Financial Statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the condensed quarterly Consolidated Financial Statements.

Jean-René Halde
President and Chief Executive Officer

Paul Buron, CPA, CA
Executive Vice President and
Chief Financial Officer

Montreal, Canada
November 6, 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited)

(in thousands of Canadian dollars)	Notes	September 30, 2014	March 31, 2014
ASSETS			
Cash and cash equivalents		678,353	676,529
Derivative assets		44,976	54,501
Loans and investments			
Asset-backed securities	7	380,834	336,477
Loans	8	17,731,257	17,241,064
Subordinate financing investments	9	595,304	576,677
Venture capital investments	10	595,200	495,096
Venture capital action plan investments	11	10,538	5,169
Total loans and investments		19,313,133	18,654,483
Property and equipment		23,576	26,418
Intangible assets		54,290	58,280
Net defined benefit asset		51,503	83,527
Other assets		16,632	16,219
Total assets		20,182,463	19,569,957
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and accrued liabilities		69,998	106,027
Derivative liabilities		14,595	10,706
Borrowings			
Short-term notes		14,703,449	14,056,623
Long-term notes		631,978	775,340
Total borrowings		15,335,427	14,831,963
Net defined benefit liability		202,065	188,221
Other liabilities		39,233	42,991
Total liabilities		15,661,318	15,179,908
Equity			
Share capital	12	2,138,400	2,138,400
Contributed surplus		27,778	27,778
Retained earnings		2,313,239	2,167,279
Accumulated other comprehensive income		3,591	5,453
Equity attributable to BDC's shareholder		4,483,008	4,338,910
Non-controlling interests		38,137	51,139
Total equity		4,521,145	4,390,049
Total liabilities and equity		20,182,463	19,569,957

Guarantees (Note 14)

Commitments (Note 15)

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF INCOME

(unaudited)

(in thousands of Canadian dollars)	Three months ended September 30		Six months ended September 30	
	2014	2013	**2014**	2013
Interest income	**267,517**	253,794	**531,422**	503,947
Interest expense	**34,800**	35,328	**67,809**	68,678
Net interest income	**232,717**	218,466	**463,613**	435,269
Net realized gains (losses) on investments	**(19,903)**	(6,869)	**(25,986)**	7,034
Consulting revenue	**4,486**	5,727	**8,605**	10,522
Fee and other income	**12,476**	12,458	**23,042**	21,885
Net realized gains (losses) on other financial instruments	**2,038**	(1,600)	**1,075**	(3,420)
Net revenue	**231,814**	228,182	**470,349**	471,290
Impairment reversals (losses) on loans	**(19,285)**	(27,255)	**(36,691)**	(48,016)
Net change in unrealized appreciation (depreciation) of investments	**29,948**	(13,725)	**35,893**	(27,355)
Net unrealized foreign exchange gains (losses) on investments	**8,960**	(2,890)	**2,785**	2,887
Net unrealized gains (losses) on other financial instruments	**(9,060)**	3,890	**(3,854)**	1,899
Income before operating and administrative expenses	**242,377**	188,202	**468,482**	400,705
Salaries and benefits	**73,942**	71,584	**145,970**	141,185
Premises and equipment	**12,119**	9,842	**22,770**	19,871
Other expenses	**19,250**	20,384	**40,905**	39,489
Operating and administrative expenses	**105,311**	101,810	**209,645**	200,545
Net income	**137,066**	86,392	**258,837**	200,160
Net income attributable to:				
BDC's shareholder	**138,354**	84,234	**259,773**	196,339
Non-controlling interests	**(1,288)**	2,158	**(936)**	3,821
Net income	**137,066**	86,392	**258,837**	200,160

The accompanying notes are an integral part of these Consolidated Financial Statements and Note 13 provides additional information on segmented net income.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(unaudited)

(in thousands of Canadian dollars)	Three months ended September 30		Six months ended September 30	
	2014	2013	**2014**	2013
Net income	**137,066**	86,392	**258,837**	200,160
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net income				
Net change in unrealized gains (losses) on available-for-sale assets	**(415)**	(40)	**(872)**	(933)
Net unrealized gains (losses) on cash flow hedges	**(322)**	16	**(752)**	(1,655)
Reclassification to net income of losses (gains) on cash flow hedges	**(119)**	(366)	**(238)**	(768)
Net change in unrealized gains (losses) on cash flow hedges	**(441)**	(350)	**(990)**	(2,423)
Total items that may be reclassified subsequently to net income	**(856)**	(390)	**(1,862)**	(3,356)
Items that will not be reclassified to net income				
Remeasurements of net defined benefit asset or liability	**(33,360)**	52,739	**(59,200)**	87,994
Other comprehensive income (loss)	**(34,216)**	52,349	**(61,062)**	84,638
Total comprehensive income	**102,850**	138,741	**197,775**	284,798
Total comprehensive income attributable to:				
BDC's shareholder	**104,138**	136,583	**198,711**	280,977
Non-controlling interests	**(1,288)**	2,158	**(936)**	3,821
Total comprehensive income	**102,850**	138,741	**197,775**	284,798

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended September 30
(unaudited)

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				Available-for-sale assets	Cash flow hedges	Total			
Balance at June 30, 2014	**2,138,400**	**27,778**	**2,208,245**	**1,750**	**2,697**	**4,447**	**4,378,870**	**41,945**	**4,420,815**
Total comprehensive income									
Net income			138,354				138,354	(1,288)	137,066
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on available-for-sale assets				(415)		(415)	(415)		(415)
Net change in unrealized gains (losses) on cash flow hedges					(441)	(441)	(441)		(441)
Remeasurements of net defined benefit asset or liability			(33,360)				(33,360)		(33,360)
Other comprehensive income (loss)	-	-	(33,360)	(415)	(441)	(856)	(34,216)	-	(34,216)
Total comprehensive income	-	-	104,994	(415)	(441)	(856)	104,138	(1,288)	102,850
Dividends on common shares			-				-		-
Distributions to non-controlling interests								(4,783)	(4,783)
Capital injections from non-controlling interests								2,263	2,263
Transactions with owner, recorded directly in equity	-	-	-	-	-	-	-	(2,520)	(2,520)
Balance as at September 30, 2014	**2,138,400**	**27,778**	**2,313,239**	**1,335**	**2,256**	**3,591**	**4,483,008**	**38,137**	**4,521,145**

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				Available-for-sale assets	Cash flow hedges	Total			
Balance at June 30, 2013	2,088,400	27,778	1,835,923	1,024	4,578	5,602	3,957,703	74,559	4,032,262
Total comprehensive income									
Net income			84,234				84,234	2,158	86,392
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on available-for-sale assets				(40)		(40)	(40)		(40)
Net change in unrealized gains (losses) on cash flow hedges					(350)	(350)	(350)		(350)
Remeasurements of net defined benefit asset or liability			52,739				52,739		52,739
Other comprehensive income (loss)	-	-	52,739	(40)	(350)	(390)	52,349	-	52,349
Total comprehensive income	-	-	136,973	(40)	(350)	(390)	136,583	2,158	138,741
Dividends on common shares			-				-		-
Distributions to non-controlling interests								(17,464)	(17,464)
Capital injections from non-controlling interests								648	648
Transactions with owner, recorded directly in equity	-	-	-	-	-	-	-	(16,816)	(16,816)
Balance as at September 30, 2013	2,088,400	27,778	1,972,896	984	4,228	5,212	4,094,286	59,901	4,154,187

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended September 30
(unaudited)

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				Available-for-sale assets	Cash flow hedges	Total			
Balance at March 31, 2014	2,138,400	27,778	2,167,279	2,207	3,246	5,453	4,338,910	51,139	4,390,049
Total comprehensive income									
Net income			259,773				259,773	(936)	258,837
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on available-for-sale assets				(872)		(872)	(872)		(872)
Net change in unrealized gains (losses) on cash flow hedges					(990)	(990)	(990)		(990)
Remeasurements of net defined benefit asset or liability			(59,200)				(59,200)		(59,200)
Other comprehensive income (loss)	-	-	(59,200)	(872)	(990)	(1,862)	(61,062)	-	(61,062)
Total comprehensive income	-	-	200,573	(872)	(990)	(1,862)	198,711	(936)	197,775
Dividends on common shares			(54,613)				(54,613)		(54,613)
Distributions to non-controlling interests								(14,421)	(14,421)
Capital injections from non-controlling interests								2,355	2,355
Transactions with owner, recorded directly in equity	-	-	(54,613)	-	-	-	(54,613)	(12,066)	(66,679)
Balance as at September 30, 2014	2,138,400	27,778	2,313,239	1,335	2,256	3,591	4,483,008	38,137	4,521,145

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				Available-for-sale assets	Cash flow hedges	Total			
Balance at March 31, 2013	2,088,400	27,778	1,746,156	1,917	6,651	8,568	3,872,902	82,773	3,955,675
Total comprehensive income									
Net income			196,339				196,339	3,821	200,160
Other comprehensive income									
Net change in unrealized gains (losses) on available-for-sale assets				(933)		(933)	(933)		(933)
Net change in unrealized gains (losses) on cash flow hedges					(2,423)	(2,423)	(2,423)		(2,423)
Remeasurements of net defined benefit asset or liability			87,994				87,994		87,994
Other comprehensive income (loss)	-	-	87,994	(933)	(2,423)	(3,356)	84,638	-	84,638
Total comprehensive income	-	-	284,333	(933)	(2,423)	(3,356)	280,977	3,821	284,798
Dividends on common shares			(59,593)				(59,593)		(59,593)
Distributions to non-controlling interests								(28,381)	(28,381)
Capital injections from non-controlling interests								1,688	1,688
Transactions with owner, recorded directly in equity	-	-	(59,593)	-	-	-	(59,593)	(26,693)	(86,286)
Balance as at September 30, 2013	2,088,400	27,778	1,972,896	984	4,228	5,212	4,094,286	59,901	4,154,187

The accompanying notes are an integral part of these Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

(in thousands of Canadian dollars)	Three months ended September 30		Six months ended September 30	
	2014	2013	2014	2013
Operating activities				
Net income	137,066	86,392	268,837	200,160
Adjustments to determine net cash flows				
Interest income	(267,517)	(253,794)	(531,422)	(503,947)
Interest expense	34,800	35,328	67,809	68,678
Net realized losses (gains) on investments	19,903	6,869	25,986	(7,034)
Impairment losses (reversals) on loans	19,285	27,255	36,691	48,016
Net change in unrealized depreciation (appreciation) on investments	(29,948)	13,725	(35,893)	27,355
Net unrealized foreign exchange losses (gains) on investments	(8,960)	2,890	(2,785)	(2,887)
Net unrealized losses (gains) on other financial instruments	9,060	(3,890)	3,854	(1,899)
Defined benefits funding in excess of amounts expensed	(5,742)	(9,486)	(13,332)	(22,566)
Depreciation of property and equipment, and amortization of intangible assets	4,727	2,789	8,344	5,746
Loss (gain) on disposal of property and equipment	-	-	9	-
Other	(3,496)	(2,326)	(858)	(4,208)
Interest expense paid	(39,478)	(40,682)	(68,050)	(69,003)
Interest income received	265,621	256,388	524,160	504,112
Disbursements for loans	(1,110,480)	(944,971)	(1,981,681)	(2,130,906)
Repayments of loans	752,423	632,976	1,465,386	1,326,704
Changes in operating assets and liabilities				
Net change in accounts payable and accrued liabilities	(45,377)	(31,440)	(36,029)	(24,366)
Net change in other assets and other liabilities	(1,568)	8,152	(4,171)	2,034
Net cash flows provided (used) by operating activities	(269,681)	(213,825)	(283,145)	(584,011)
Investing activities				
Disbursements for asset-backed securities	(51,064)	(33,379)	(107,655)	(90,959)
Repayments and proceeds on sale of asset-backed securities	29,108	66,122	52,456	179,471
Disbursements for subordinate financing investments	(42,704)	(62,808)	(88,330)	(91,441)
Repayments of subordinate financing investments	20,882	45,271	58,974	65,350
Disbursements for venture capital investments	(49,613)	(30,193)	(88,377)	(62,340)
Proceeds on sale of venture capital investments	3,511	27,077	14,756	76,109
Disbursements for venture capital action plan investments	(7,776)	-	(8,341)	-
Acquisition of property and equipment	(558)	(1,847)	(1,056)	(4,603)
Proceeds from disposal of property and equipment	-	-	1	-
Acquisition of intangible assets	-	(8,161)	(466)	(16,047)
Net cash flows provided (used) by investing activities	(98,214)	2,082	(158,038)	55,540
Financing activities				
Net change in short-term notes	405,350	229,061	646,200	650,797
Issue of long-term notes	49,700	32,900	89,100	107,435
Repayment of long-term notes	(90,451)	(35,385)	(225,614)	(73,367)
Distributions to non-controlling interests	(4,783)	(17,464)	(14,421)	(28,381)
Capital injections from non-controlling interests	2,263	648	2,355	1,688
Dividends paid on common shares	-	-	(54,613)	(59,593)
Net cash flows provided (used) by financing activities	362,079	209,760	443,007	598,579
Net increase (decrease) in cash and cash equivalents	(5,816)	(1,983)	1,824	70,108
Cash and cash equivalents at beginning of period	684,169	773,769	676,529	701,678
Cash and cash equivalents at end of period	678,353	771,786	678,353	771,786

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of Canadian dollars)

1. BDC GENERAL DESCRIPTION

The Business Development Bank of Canada is a Crown corporation that was established by an Act of Parliament on December 20, 1974, as the Federal Business Development Bank and continued under its current name by an Act of Parliament that was enacted on July 13, 1995. The Business Development Bank of Canada is incorporated in Canada and wholly owned by the Government of Canada.

The objectives of the Business Development Bank of Canada and its subsidiaries (together, BDC) are to promote and assist in the establishment and development of business enterprises in Canada, with a focus on small and medium-sized enterprises, by providing a range of complementary lending and investment services, as well as consulting services. BDC offers Canadian companies services tailored to meet their current needs while earning an appropriate return on equity, which is used to further BDC's activities. BDC does not receive appropriations from the Government of Canada.

2. BASIS OF PREPARATION

BDC's condensed quarterly Consolidated Financial Statements are in compliance with the Standard on Quarterly Financial Reports for Crown Corporations, as required by the *Financial Administration* Act and issued by the Treasury Board of Canada Secretariat.

BDC's condensed quarterly Consolidated Financial Statements follow the same basis of preparation as our audited Consolidated Financial Statements for the year ended March 31, 2014. For complete information on the basis of preparation, refer to page 57 of our 2014 Annual Report.

These condensed quarterly Consolidated Financial Statements have been prepared using International Financial Reporting Standards (IFRS). The condensed quarterly Consolidated Financial Statements have also been prepared in accordance with the accounting policies BDC expects to use in its annual Consolidated Financial Statements for the year ending March 31, 2015. If BDC changes the application of these policies, it may result in a restatement of these condensed quarterly Consolidated Financial Statements.

These condensed quarterly Consolidated Financial Statements have been prepared using International Financial Reporting Standards (IFRS) and were approved for issue by the Board of Directors on November 6, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

BDC's condensed quarterly Consolidated Financial Statements follow the same accounting policies as our audited Consolidated Financial Statements for the year ended March 31, 2014. These policies have been consistently applied to all periods presented in these condensed quarterly Consolidated Financial Statements and have been applied consistently by all entities consolidated by BDC.

These condensed quarterly Consolidated Financial Statements must be read in conjunction with BDC's 2014 Annual Report and the accompanying notes, as set out on pages 57 to 110 of our 2014 Annual Report.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Preparation of the quarterly Consolidated Financial Statements using IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Significant changes in the underlying assumptions could result in significant changes to these estimates. Consequently, management reviews these assumptions regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

For information about the significant judgements, estimates and assumptions that have the most significant effect on the amounts recognized in the condensed quarterly Consolidated Financial Statements, refer to page 68 of our 2014 Annual Report.

5. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table summarizes the classification of BDC's financial instruments as at September 30, 2014, and March 31, 2014.

September 30, 2014

		Measured at fair value				Measured at amortized cost		
		FVTPL[1]						
	Note	Held-for-trading	Designated as FVTPL	Available-for-sale	Cash flow hedges	Loans and receivables	Financial liabilities	Total
Financial assets								
Cash and cash equivalents						678,353		678,353
Derivative assets		43,188			1,788			44,976
Asset-backed securities	7		4,455	376,379				380,834
Loans	8					17,731,257		17,731,257
Subordinate financing investments	9		595,304					595,304
Venture capital investments	10		595,200					595,200
Venture capital action plan investments	11		10,538					10,538
Other assets[2]						9,063		9,063
Total financial assets		43,188	1,205,497	376,379	1,788	18,418,673	-	20,045,525
Financial liabilities								
Accounts payable and accrued liabilities							69,998	69,998
Derivative liabilities		14,595						14,595
Short-term notes							14,703,449	14,703,449
Long-term notes			402,448				229,530	631,978
Other liabilities[2]							26,819	26,819
Total financial liabilities		14,595	402,448	-	-	-	15,029,796	15,446,839

March 31, 2014

		Measured at fair value				Measured at amortized cost		
		FVTPL[1]						
	Note	Held-for-trading	Designated as FVTPL	Available-for-sale	Cash flow hedges	Loans and receivables	Financial liabilities	Total
Financial assets								
Cash and cash equivalents						676,529		676,529
Derivative assets		51,717			2,784			54,501
Asset-backed securities	7		4,750	331,727				336,477
Loans	8					17,241,064		17,241,064
Subordinate financing investments	9		576,677					576,677
Venture capital investments	10		495,096					495,096
Venture capital action plan investments	11		5,169					5,169
Other assets[2]						9,265		9,265
Total financial assets		51,717	1,081,692	331,727	2,784	17,926,858	-	19,394,778
Financial liabilities								
Accounts payable and accrued liabilities							106,027	106,027
Derivative liabilities		10,706						10,706
Short-term notes							14,056,623	14,056,623
Long-term notes			500,794				274,546	775,340
Other liabilities[2]							31,617	31,617
Total financial liabilities		10,706	500,794	-	-	-	14,468,813	14,980,313

[1] Fair value through profit or loss

[2] Certain items within the other assets and other liabilities categories on the Consolidated Statement of Financial Position are not considered to be financial instruments

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

All financial instruments measured at fair value must be categorized into one of three hierarchy levels for disclosure purposes. Each level is based on the observability of the inputs used to measure the fair value of assets and liabilities and is defined below:

- level 1—fair values based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;
- level 2—fair values based on inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- level 3—fair values based on valuation techniques with one or more significant unobservable market inputs.

There were no transfers between levels 1 and 2 or between levels 2 and 3 in the reporting periods. BDC's policy is to recognize transfers between levels 1 and 3 when private investments become publicly traded or public investments become private investments during the reporting periods.

	September 30, 2014			
	Fair value measurements using			Total
	Level 1	Level 2	Level 3	fair value
Assets				
Derivative assets		44,976		44,976
Asset-backed securities		380,834		380,834
Subordinate financing investments	684		594,620	595,304
Venture capital investments	6,759		588,441	595,200
Venture capital action plan investments			10,538	10,538
	7,443	425,810	1,193,599	1,626,852
Liabilities				
Derivative liabilities		14,595		14,595
Long-term notes designated as FVTPL[1]		402,448		402,448
	-	417,043	-	417,043

[1] Fair value through profit or loss.

	March 31, 2014			
	Fair value measurements using			Total
	Level 1	Level 2	Level 3	fair value
Assets				
Derivative assets		54,501		54,501
Asset-backed securities		336,477		336,477
Subordinate financing investments	684		575,993	576,677
Venture capital investments	6,058		489,038	495,096
Venture capital action plan investments			5,169	5,169
	6,742	390,978	1,070,200	1,467,920
Liabilities				
Derivative liabilities		10,706		10,706
Long-term notes designated as FVTPL[1]		500,794		500,794
	-	511,500	-	511,500

[1] Fair value through profit or loss.

The following table presents the changes in fair value measurement for financial instruments included in level 3 of the fair value hierarchy.

	September 30, 2014			
	Subordinate financing investments	**Venture capital investments**	**Venture capital action plan investments**	**Total**
Fair value at April 1, 2014	**575,993**	**489,038**	**5,169**	**1,070,200**
Net realized gains (losses) on investments	**(19,760)**	**(6,028)**	-	**(25,788)**
Net change in unrealized appreciation (depreciation) of investments	**9,079**	**30,835**	**(2,972)**	**36,942**
Net unrealized foreign exchange gains (losses) on investments	-	**2,807**	-	**2,807**
Disbursements for investments	**88,330**	**88,377**	**8,341**	**185,048**
Repayments of investments and other	**(59,022)**	**(12,717)**	-	**(71,739)**
Transfers from level 3 to level 1	-	**(3,871)**	-	**(3,871)**
Fair value at September 30, 2014	**594,620**	**588,441**	**10,538**	**1,193,599**

	Subordinate financing investments	Venture capital investments	Venture capital action plan investments	March 31, 2014 Total
Fair value at April 1, 2013	556,031	424,047	-	980,078
Net realized gains (losses) on investments	(9,970)	(22,027)	-	(31,997)
Net change in unrealized appreciation (depreciation) of investments	(16,582)	21,762	(533)	4,647
Net unrealized foreign exchange gains (losses) on investments	-	13,454	-	13,454
Disbursements for investments	156,239	118,274	5,702	280,215
Repayments of investments and other	(109,725)	(62,718)	-	(172,443)
Transfers from level 3 to level 1	-	(3,754)	-	(3,754)
Fair value at March 31, 2014	575,993	489,038	5,169	1,070,200

7. ASSET-BACKED SECURITIES

	September 30, 2014	March 31, 2014
Available-for-sale		
Principal amount	**375,047**	329,521
Cumulative fair value appreciation (depreciation)	**1,332**	2,206
Carrying value	**376,379**	331,727
Yield	**2.16%**	2.24%
Fair value through profit or loss		
Principal amount	**4,372**	4,651
Cumulative fair value appreciation (depreciation)	**83**	99
Carrying value	**4,455**	4,750
Yield	**7.82%**	8.06%
Asset-backed securities	**380,834**	336,477

No asset-backed securities were impaired as at September 30 or March 31, 2014.

8. LOANS

The following table provides loans outstanding by contractual maturity date.

	Within 1 year	1 to 5 years	Over 5 years	Total gross amount	Collective allowance	Individual allowance	Total allowance	Total net amount
Performing	155,638	1,936,977	15,671,462	17,764,077	(340,000)	-	(340,000)	17,424,077
Impaired	9,731	57,957	413,741	481,429	-	(174,249)	(174,249)	307,180
Loans as at September 30, 2014	165,369	1,994,934	16,085,203	18,245,506	(340,000)	(174,249)	(514,249)	17,731,257

	Within 1 year	1 to 5 years	Over 5 years	Total gross amount	Collective allowance	Individual allowance	Total allowance	Total net amount
Performing	166,594	1,865,370	15,241,401	17,273,365	(340,000)	-	(340,000)	16,933,365
Impaired	9,226	49,330	417,393	475,949	-	(168,250)	(168,250)	307,699
Loans as at March 31, 2014	175,820	1,914,700	15,658,794	17,749,314	(340,000)	(168,250)	(508,250)	17,241,064

Allowance for credit losses

	September 30, 2014	March 31, 2014
Balance at beginning of period	508,250	538,338
Write-offs	(29,895)	(103,258)
Effect of discounting	(6,423)	(12,485)
Recoveries and other	5,626	12,774
	477,558	435,369
Impairment losses (reversals) on loans	36,691	72,881
Balance at end of period	514,249	508,250

Concentrations of total loans outstanding

Geographic distribution	September 30, 2014	March 31, 2014
Newfoundland and Labrador	764,911	741,843
Prince Edward Island	47,960	44,517
Nova Scotia	464,664	447,837
New Brunswick	467,526	486,006
Quebec	6,073,878	5,977,771
Ontario	4,747,936	4,681,243
Manitoba	525,977	502,059
Saskatchewan	589,527	532,345
Alberta	2,453,112	2,325,621
British Columbia	1,983,991	1,881,972
Yukon	96,901	97,598
Northwest Territories and Nunavut	29,123	30,502
Total loans outstanding	18,245,506	17,749,314

Industry sector	September 30, 2014	March 31, 2014
Manufacturing	4,045,825	4,025,056
Wholesale and retail trade	3,658,716	3,578,289
Tourism	2,421,748	2,305,724
Service industries	2,355,370	2,278,685
Commercial properties	2,138,916	2,050,634
Construction	1,526,644	1,478,046
Transportation and storage	1,051,978	1,023,372
Other	1,046,309	1,009,508
Total loans outstanding	18,245,506	17,749,314

9. SUBORDINATE FINANCING INVESTMENTS

BDC maintains a medium- to high-risk portfolio of subordinate financing investments. The following table summarizes outstanding subordinate financing investments by their contractual maturity date.

	Within 1 year	1 to 5 years	Over 5 years	Total cost	Total fair value
As at September 30, 2014	88,411	450,867	71,610	610,888	595,304
As at March 31, 2014	77,268	442,633	81,477	601,378	576,677

Concentrations of total subordinate financing investments

	September 30, 2014		March 31, 2014	
Geographic distribution	Fair value	Cost	Fair value	Cost
Newfoundland and Labrador	7,818	6,698	8,033	6,697
Nova Scotia	12,855	13,112	13,297	14,636
New Brunswick	13,749	13,189	11,756	11,806
Quebec	244,232	260,252	249,660	271,927
Ontario	187,608	186,612	182,588	186,901
Manitoba	8,449	6,568	8,050	6,062
Saskatchewan	4,907	3,536	5,108	3,659
Alberta	86,042	90,074	72,071	73,103
British Columbia	25,742	26,678	22,173	22,417
Yukon	2,692	2,914	2,715	2,915
Northwest Territories and Nunavut	1,210	1,255	1,226	1,255
Subordinate financing investments	595,304	610,888	576,677	601,378

	September 30, 2014		March 31, 2014	
Industry sector	**Fair value**	**Cost**	Fair value	Cost
Manufacturing	**216,075**	**215,183**	204,022	205,280
Business services	**119,927**	**129,988**	114,686	129,493
Wholesale and retail trade	**94,218**	**94,562**	97,007	99,523
Mining, and oil and gas extraction	**45,137**	**45,565**	34,524	35,346
Construction	**42,640**	**44,530**	44,004	46,798
Information industries	**25,186**	**27,209**	21,079	22,552
Tourism	**11,895**	**11,104**	12,808	11,882
Transportation and storage	**9,964**	**10,617**	9,426	10,138
Educational services	**5,324**	**5,285**	7,130	7,674
Real estate, and rental and leasing	**1,836**	**1,867**	8,918	8,539
Other	**23,102**	**24,978**	23,073	24,153
Subordinate financing investments	595,304	610,888	576,677	601,378

10. VENTURE CAPITAL INVESTMENTS

BDC maintains a high-risk portfolio of venture capital investments that is focused on early-stage and fast-growing technology companies having promising positions in their respective marketplaces and strong growth potential. The concentrations and investment types of venture capital investments are listed below.

	September 30, 2014		March 31, 2014	
Industry sector	**Fair value**	**Cost**	Fair value	Cost
Information technology	**139,391**	**136,084**	106,228	114,000
Electronics	**82,167**	**82,619**	77,976	78,241
Biotechnology and pharmacology	**65,304**	**70,958**	53,383	62,834
Medical and health	**30,273**	**40,011**	33,765	42,485
Communications	**27,118**	**24,045**	25,872	24,282
Energy	**14,381**	**18,786**	8,259	16,065
Industrial	**13,450**	**17,592**	9,690	14,042
Other	**2,694**	**2,112**	500	500
Total direct investments	**374,778**	**392,207**	315,673	352,449
Funds	**220,422**	**209,931**	179,423	182,173
Venture capital investments	595,200	602,138	495,096	534,622

	September 30, 2014		March 31, 2014	
Investment type	**Fair value**	**Cost**	Fair value	Cost
Common shares	**39,121**	**76,601**	29,340	68,745
Preferred shares	**296,738**	**275,036**	248,090	243,132
Debentures	**38,919**	**40,570**	38,243	40,572
Total direct investments	**374,778**	**392,207**	315,673	352,449
Funds	**220,422**	**209,931**	179,423	182,173
Venture capital investments	595,200	602,138	495,096	534,622

11. VENTURE CAPITAL ACTION PLAN INVESTMENTS

Venture Capital Action Plan invests primarily in early-stage and mid-stage venture capital funds, and directly in companies across Canada. Venture Capital Action Plan supports the creation of large private sector-led funds of funds and also assists existing high-performing funds in partnership with institutional investors, corporate strategic investors and interested provinces.

At September 30, 2014, the fair value of venture capital action plan investments stood at $10,538 ($5,169 at March 31, 2014), and their cost was $14,042 ($5,702 at March 31, 2014).

12. SHARE CAPITAL

An unlimited number of common shares, having a par value of $100 each, is authorized. As at September 30 and March 31, 2014, there were 21,384,000 common shares outstanding.

Statutory limitations

As per the BDC Act, the debt-to-equity ratio cannot exceed 12:1. In addition, the paid-in capital, the contributed surplus and any proceeds that have been prescribed as equity (such as hybrid capital instruments) must not exceed $3.0 billion. As at September 30, 2014, and March 31, 2014, BDC met both of these statutory limitation requirements.

Capital adequacy

Treasury Board of Canada Secretariat provides guidelines to BDC on its capital adequacy ratios. BDC must maintain overall capital and allowance for credit losses sufficient to ensure that BDC can withstand unfavourable economic circumstances without requiring additional government funding. During the six-month period ended September 30, 2014, and for the fiscal year ended March 31, 2014, BDC complied with its capital adequacy guidelines.

13. SEGMENTED INFORMATION

BDC has six reportable segments, as described below, which are the Bank's business lines. Each business line offers different products and services, and is managed separately based on BDC's management and internal reporting structure.

The following summary describes the operations of each of the Bank's reportable segments.

- **Financing** provides secured, partially secured and unsecured loans with a focus on small and medium-sized enterprises across Canada.
- **Growth & Transition Capital** provides flexible debt with or without convertible features and equity-type financing.
- **Venture Capital** provides investments to cover every stage of a technology-based company's development cycle, from seed funding to expansion. BDC also makes indirect investments via venture capital investment funds.
- **Consulting** provides consulting services, group programs and other services related to business activities.
- **Securitization** purchases investments in asset-backed securities through the Funding Platform for Independent Lenders (F-PIL, formerly known as the Multi-Seller Platform for Small Originators) and until October 2013 managed the Canadian Secured Credit Facility investment portfolio. These securities are backed by vehicle and equipment loans and leases, as well as dealer floor plan loans.
- **Venture Capital Action Plan** supports the creation of large private sector-led funds of funds and also assists existing high-performing funds in partnership with institutional investors, corporate strategic investors and interested provinces.

The assumptions and methodologies used in BDC's reporting framework are periodically reviewed by management to ensure they remain valid. BDC's main allocation methods are described below.

Interest expense is allocated to each operating segment based on its business portfolio and the capital attributed to the segment. The attribution of capital to BDC's business segments is maintained in accordance with the capital adequacy ratios provided by Treasury Board of Canada Secretariat and is consistently aligned with the economic risks of each specific business segment.

Operating and administrative expenses include costs incurred directly by the business segments. Indirect costs incurred at the enterprise level are attributed to each segment using management's internal reporting framework.

Loan and investment portfolios are managed separately based on BDC's business segments. None of the other assets or liabilities are managed by segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of Canadian dollars)

The following tables present financial information regarding the results of each reportable segment.

							Three months ended September 30, 2014
	BDC	Financing	Growth & Transition Capital	Venture Capital	Consulting	Securitization	Venture Capital Action Plan
Interest income	267,517	251,641	13,817	-	-	2,059	-
Interest expense	34,800	32,342	1,886	-	-	572	-
Net interest income	**232,717**	**219,299**	**11,931**	**-**	**-**	**1,487**	**-**
Net realized gains (losses) on investments	(19,903)	-	(13,542)	(6,361)	-	-	-
Consulting revenue	4,486	-	-	-	4,486	-	-
Fee and other income	12,476	4,035	7,888	458	-	2	93
Net realized gains (losses) on other financial instruments	2,038	604	-	1,434	-	-	-
Net revenue (loss)	**231,814**	**223,938**	**6,277**	**(4,469)**	**4,486**	**1,489**	**93**
Impairment reversals (losses) on loans	(19,285)	(19,285)	-	-	-	-	-
Net change in unrealized appreciation (depreciation) of investments	29,948	-	13,031	19,042	-	(13)	(2,112)
Net unrealized foreign exchange gains (losses) on investments	8,960	-	-	8,960	-	-	-
Net unrealized gains (losses) on other financial instruments	(9,060)	(970)	-	(8,090)	-	-	-
Income (loss) before operating and administrative expenses	**242,377**	**203,683**	**19,308**	**15,443**	**4,486**	**1,476**	**(2,019)**
Salaries and benefits	73,942	58,223	5,062	3,761	6,328	402	166
Premises and equipment	12,119	10,729	375	418	563	19	15
Other expenses	19,250	13,968	815	1,001	3,401	43	22
Operating and administrative expenses	**105,311**	**82,920**	**6,252**	**5,180**	**10,292**	**464**	**203**
Net income (loss)	**137,066**	**120,763**	**13,056**	**10,263**	**(5,806)**	**1,012**	**(2,222)**
Net income (loss) attributable to:							
BDC's shareholder	138,354	120,763	12,825	11,782	(5,806)	1,012	(2,222)
Non-controlling interests	(1,288)	-	231	(1,519)	-	-	-
Net income (loss)	**137,066**	**120,763**	**13,056**	**10,263**	**(5,806)**	**1,012**	**(2,222)**
Business segment portfolio at end of period	**19,313,133**	**17,731,257**	**595,304**	**595,200**	**-**	**380,834**	**10,538**

							Three months ended September 30, 2013
	BDC	Financing	Growth & Transition Capital	Venture Capital	Consulting	Securitization	Venture Capital Action Plan
Interest income	253,794	236,406	15,097	-	-	2,291	-
Interest expense	35,328	33,086	1,994	-	-	248	-
Net interest income	**218,466**	**203,320**	**13,103**	**-**	**-**	**2,043**	**-**
Net realized gains (losses) on investments	(6,869)	-	4,798	(11,667)	-	-	-
Consulting revenue	5,727	-	-	-	5,727	-	-
Fee and other income	12,458	3,867	7,714	824	-	53	-
Net realized gains (losses) on other financial instruments	(1,600)	367	-	(1,967)	-	-	-
Net revenue (loss)	**228,182**	**207,554**	**25,615**	**(12,810)**	**5,727**	**2,096**	**-**
Impairment reversals (losses) on loans	(27,255)	(27,255)	-	-	-	-	-
Net change in unrealized appreciation (depreciation) of investments	(13,725)	-	(24,974)	11,261	-	(12)	-
Net unrealized foreign exchange gains (losses) on investments	(2,890)	-	-	(2,890)	-	-	-
Net unrealized gains (losses) on other financial instruments	3,890	(340)	-	4,230	-	-	-
Income (loss) before operating and administrative expenses	**188,202**	**179,959**	**641**	**(209)**	**5,727**	**2,084**	**-**
Salaries and benefits	71,584	56,710	5,043	3,582	5,658	269	322
Premises and equipment	9,842	8,648	309	394	472	19	-
Other expenses	20,384	15,282	587	1,007	3,385	48	75
Operating and administrative expenses	**101,810**	**80,640**	**5,939**	**4,983**	**9,515**	**336**	**397**
Net income (loss)	**86,392**	**99,319**	**(5,298)**	**(5,192)**	**(3,788)**	**1,748**	**(397)**
Net income (loss) attributable to:							
BDC's shareholder	84,234	99,319	(7,477)	(5,171)	(3,788)	1,748	(397)
Non-controlling interests	2,158	-	2,179	(21)	-	-	-
Net income (loss)	**86,392**	**99,319**	**(5,298)**	**(5,192)**	**(3,788)**	**1,748**	**(397)**
Business segment portfolio at end of period	**17,988,294**	**16,631,056**	**563,127**	**446,126**	**-**	**347,985**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of Canadian dollars)

	Six months ended September 30, 2014						
	BDC	Financing	Growth & Transition Capital	Venture Capital	Consulting	Securitization	Venture Capital Action Plan
Interest income	531,422	497,921	29,479	-	-	4,022	-
Interest expense	67,809	62,935	3,791	-	-	1,083	-
Net interest income	**463,613**	**434,986**	**25,688**	**-**	**-**	**2,939**	**-**
Net realized gains (losses) on investments	(25,986)	-	(19,760)	(6,226)	-	-	-
Consulting revenue	8,605	-	-	-	8,605	-	-
Fee and other income	23,042	7,736	14,138	969	-	3	196
Net realized gains (losses) on other financial instruments	1,075	240	-	835	-	-	-
Net revenue (loss)	**470,349**	**442,962**	**20,066**	**(4,422)**	**8,605**	**2,942**	**196**
Impairment reversals (losses) on loans	(36,691)	(36,691)	-	-	-	-	-
Net change in unrealized appreciation (depreciation) of investments	35,893	-	9,079	29,802	-	(16)	(2,972)
Net unrealized foreign exchange gains (losses) on investments	2,785	-	-	2,785	-	-	-
Net unrealized gains (losses) on other financial instruments	(3,854)	(1,329)	-	(2,525)	-	-	-
Income (loss) before operating and administrative expenses	**468,482**	**404,942**	**29,145**	**25,640**	**8,605**	**2,926**	**(2,776)**
Salaries and benefits	145,970	114,543	10,645	7,437	12,258	752	335
Premises and equipment	22,770	20,064	714	826	1,097	38	31
Other expenses	40,905	30,681	1,507	2,103	6,428	116	70
Operating and administrative expenses	**209,645**	**165,288**	**12,866**	**10,366**	**19,783**	**906**	**436**
Net income (loss)	**258,837**	**239,654**	**16,279**	**15,274**	**(11,178)**	**2,020**	**(3,212)**
Net income (loss) attributable to:							
BDC's shareholder	259,773	239,654	15,558	16,931	(11,178)	2,020	(3,212)
Non-controlling interests	(936)	-	721	(1,657)	-	-	-
Net income (loss)	**258,837**	**239,654**	**16,279**	**15,274**	**(11,178)**	**2,020**	**(3,212)**
Business segment portfolio at end of period	**19,313,133**	**17,731,257**	**595,304**	**595,200**	**-**	**380,834**	**10,538**

	Six months ended September 30, 2013						
	BDC	Financing	Growth & Transition Capital	Venture Capital	Consulting	Securitization	Venture Capital Action Plan
Interest income	503,947	469,729	29,291	-	-	4,927	-
Interest expense	68,678	64,075	4,007	-	-	596	-
Net interest income	**435,269**	**405,654**	**25,284**	**-**	**-**	**4,331**	**-**
Net realized gains (losses) on investments	7,034	-	5,787	1,247	-	-	-
Consulting revenue	10,522	-	-	-	10,522	-	-
Fee and other income	21,885	7,405	12,676	1,693	-	111	-
Net realized gains (losses) on other financial instruments	(3,420)	768	-	(4,188)	-	-	-
Net revenue (loss)	**471,290**	**413,827**	**43,747**	**(1,248)**	**10,522**	**4,442**	**-**
Impairment reversals (losses) on loans	(48,016)	(48,016)	-	-	-	-	-
Net change in unrealized appreciation (depreciation) of investments	(27,355)	-	(26,051)	(1,351)	-	47	-
Net unrealized foreign exchange gains (losses) on investments	2,887	-	-	2,887	-	-	-
Net unrealized gains (losses) on other financial instruments	1,899	(506)	-	2,405	-	-	-
Income (loss) before operating and administrative expenses	**400,705**	**365,305**	**17,696**	**2,693**	**10,522**	**4,489**	**-**
Salaries and benefits	141,185	112,476	9,758	7,043	10,863	612	433
Premises and equipment	19,871	17,476	624	789	944	38	-
Other expenses	39,489	29,118	1,241	2,377	6,521	84	148
Operating and administrative expenses	**200,545**	**159,070**	**11,623**	**10,209**	**18,328**	**734**	**581**
Net income (loss)	**200,160**	**206,235**	**6,073**	**(7,516)**	**(7,806)**	**3,755**	**(581)**
Net income (loss) attributable to:							
BDC's shareholder	196,339	206,235	2,009	(7,273)	(7,806)	3,755	(581)
Non-controlling interests	3,821	-	4,064	(243)	-	-	-
Net income (loss)	**200,160**	**206,235**	**6,073**	**(7,516)**	**(7,806)**	**3,755**	**(581)**
Business segment portfolio at end of period	**17,988,294**	**16,631,056**	**563,127**	**446,126**	**-**	**347,985**	**-**

14. GUARANTEES

BDC issues "letters of credit and loan guarantees" (guarantees) to support businesses. Those guarantees represent BDC's obligation to make payments to third parties if clients are unable to meet their contractual commitments. The maximum amount payable under the guarantees totalled $27.4 million as at September 30, 2014 ($27.6 million at March 31, 2014).

15. COMMITMENTS

Loans

The undisbursed amount of authorized loans was $2,338,917 at September 30, 2014 ($344,712 fixed rate; $1,994,205 floating rate) and is expected to be disbursed within the next 12 months. The weighted average effective interest rate was 4.66% on loan commitments (4.78% at March 31, 2014). The following tables present undisbursed amounts of authorized loans, by location and industry.

Commitments, by geographic distribution	September 30, 2014	March 31, 2014
Newfoundland and Labrador	72,882	64,956
Prince Edward Island	2,332	4,448
Nova Scotia	54,752	60,085
New Brunswick	25,442	19,685
Quebec	525,066	547,558
Ontario	763,185	500,665
Manitoba	64,448	56,729
Saskatchewan	106,303	96,904
Alberta	546,763	352,070
British Columbia	176,366	191,288
Yukon, Northwest Territories and Nunavut	1,378	2,234
Total	**2,338,917**	**1,896,622**

Commitments, by industry sector	September 30, 2014	March 31, 2014
Manufacturing	491,932	404,133
Tourism	320,243	263,457
Wholesale and retail trade	316,952	259,707
Construction	295,100	247,274
Service industries	247,567	228,533
Transportation and storage	160,260	121,206
Commercial properties	121,811	130,645
Other	385,052	241,667
Total	**2,338,917**	**1,896,622**

Subordinate financing

The undisbursed amount of authorized investments was $67,447 at September 30, 2014 ($37,493 fixed rate; $29,954 floating rate) and is expected to be disbursed within the next 12 months. The weighted average effective interest rate (excluding non-interest returns) was 10.41% on investment commitments (8.83% at March 31, 2014). The following tables present undisbursed amounts of authorized investments, by location and industry.

Commitments, by geographic distribution	September 30, 2014	March 31, 2014
Nova Scotia	168	3,554
New Brunswick	2,250	1,750
Quebec	16,400	13,600
Ontario	35,999	24,442
Saskatchewan	4,625	625
Alberta	6,250	6,100
British Columbia	1,755	3,650
Total	67,447	53,721

Commitments, by industry sector	September 30, 2014	March 31, 2014
Manufacturing	20,164	22,408
Business services	15,701	10,549
Wholesale and retail trade	10,575	11,859
Mining, and oil and gas extraction	6,500	2,500
Construction	2,850	1,100
Transportation and storage	1,800	300
Information industries	957	695
Tourism	400	800
Other	8,500	3,510
Total	67,447	53,721

Venture capital

The undisbursed amount of authorized venture capital investments was $309,165 at September 30, 2014, and was related to the following industry sectors.

Industry sector	September 30, 2014	March 31, 2014
Information technology	8,038	9,238
Biotechnology and pharmacology	4,748	7,112
Communications	4,000	-
Medical and health	4,000	-
Energy	1,610	320
Industrial	83	583
Electronics	76	639
Total direct investments	22,555	17,892
External funds	286,610	309,367
Venture capital investments	309,165	327,259

Venture capital action plan

The undisbursed amount of authorized venture capital action plan investments was $195,950 at September 30, 2014 ($204,298 at March 31, 2014).

Asset-backed securities

The undisbursed amount of authorized asset-backed securities was $201,000 at September 30, 2014 ($196,000 at March 31, 2014).

Leases

BDC has future minimum lease commitments under operating leases related to the rental of premises.

16. RELATED PARTY TRANSACTIONS

As at September 30, 2014, BDC had $14,698.0 million outstanding in short-term notes and $229.0 million outstanding in long-term notes (excluding accrued interest) with Her Majesty the Queen in Right of Canada acting through the Minister of Finance ($14,046.0 million in short-term notes and $273.8 million in long-term notes at March 31, 2014).

Accrued interest on borrowings included $5.7 million payable to the Minister of Finance as at September 30, 2014 ($5.3 million at March 31, 2014).

BDC recorded $34.5 million in interest expense, related to the borrowings from the Minister of Finance, for the second quarter and $66.8 million for the six months ended September 30, 2014. Last year's comparative figures for the same periods were $34.5 million and $66.9 million, respectively.

In addition, certain borrowings with the Minister of Finance were repurchased in the first six months of fiscal 2015. This resulted in a net realized loss of $0.5 million for the first six-month period (no borrowings were repurchased during the same period last year).

BDC is also related to all Government of Canada-created departments, agencies and Crown corporations. BDC enters into transactions with these entities in the normal course of business, under terms and conditions similar to those that apply to unrelated parties.

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